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*Brain Injury Association of  
Michigan*

*Disability Advocates of  
Kent County*

*Michigan Academy of  
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*Michigan Assisted Living  
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*Michigan Association of  
Centers for  
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*Michigan Association of  
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*Michigan Brain Injury  
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Hospital Association*

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***"A broad-based coalition to  
preserve the integrity of  
Michigan's model  
No-Fault Insurance System"***

## **TESTIMONY ON MANAGED CARE / AUTO NO-FAULT LEGISLATION (HB 4247)**

### **MICHIGAN HOUSE INSURANCE COMMITTEE**

**June 23, 2005**

Chairman Hune; Members of the House Insurance Company, I appreciate the opportunity to come and speak to you this morning.

My name is Lynn Brouwers, and I am the director of the Neurotrauma post acute programs for Spectrum Health in Grand Rapids. For the past 25 years, I have worked with children and adults who have had traumatic brain injuries and spinal cord injuries and their families, and understand too well the realities individuals face after experiencing an automobile accident that involves these serious injuries.

In addition to representing Spectrum Health, I am here before you speaking on behalf of the Coalition to Protect Auto No-Fault (CPAN). I won't take the time to list all of the member organizations in CPAN but will refer you to the letterhead on my written testimony.

I am here to speak about our opposition to House Bill 4742.

First let me say that Michigan has an incredibly successful auto no fault system. I have enough contact with my colleagues in other states to know what happens in the "at fault" or "torte" states. Often, people injured in car accidents in other states quickly become Medicaid recipients because they lack the personal resources to pay for their health care needs. They also regularly file lawsuits against the "at fault" party to recover both economic damages and non-economic damages. Patients and their families experience the stress of having to enter the legal system for immediately needed medical care. This impacts the health of the patient because, when needed rehabilitation does not occur on a timely basis, the patient's recovery potential is delayed or diminished. In these states, many more young people are placed in nursing homes to spend the next 20-40-or 60 years in a bed paid for by their state's Medicaid program. In fact, 22 states have developed TBI (traumatic brain injury) Medicaid Waivers, to reduce the number of young people at risk of living in nursing homes.

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Members of CPAN and Spectrum Health support a strong auto insurance system in Michigan. This system has worked for Michigan motorists, health care providers and has protected insurance companies from endless litigation. Evidence of the effectiveness of Michigan's auto no-fault system can be found in the following:

- OFIS reported several months ago that Michigan ranks 29<sup>th</sup> in a national ranking of the cost of liability and associated health care costs borne by the car insurance company.
- The Michigan Association of Insurance Agents, in a Press Release dated December 2, 2004, announced the results of a National Study that found insurance rates and claim losses are lower in Michigan than in other No Fault States. (All other no Fault States have caps). Between 1997 and 2002, the average amount of personal injury protection used increased just 2 percent in Michigan, compared to 122% in Colorado, 60% in New York, and 30% in Florida. So clearly, there is no overwhelming evidence of abuse by health care providers or motorists.
- Patients in Michigan get reasonably necessary care to support their health and disability needs and live lives with dignity, in their hometowns, outside of institutional settings.

We cannot support House Bill 4742 for several reasons.

- We support the ability of physicians and other qualified health care providers to determine the type of care needed, not insurance company personnel or insurance guidelines. An insurance nurse providing case management from Colorado or California cannot know what a patient needs with the same degree of competence as the patient's personal physician. This Bill would drastically change that.
- We support patients and families' rights to select the health care providers and the health care environments that they feel best meet their needs. We find that people are more satisfied (litigate less, use fewer resources) when they trust the recommendations and decisions of their doctors, nurses, therapists, and care givers. The managed care language in these bills would restrict the choice of patients and families.
- Medical and rehabilitative care of spinal cord injury, brain injury, burns, and multiple trauma is very specialized. Often patients need to travel quite a distance to see specialists or the specialists need to travel quite a distance to see patients. Additional training and specialized equipment is needed to serve this niche population. Traditional fee schedules established for other patient groups, like the frail elderly, do not cover the cost of specialized neurotrauma medical care. This bill would limit a patient's access to this type of specialized health care.

- Auto No Fault covers more than traditional medical care. It provides payment for such services as handicap transportation, home modifications, behavioral health services, vocational rehabilitation, adult foster care, and attendant care provided by home care companies, family members or neighbors. Many of these small businesses do not have the profit margins, the administrative expertise, or the administrative infrastructure to develop managed care agreements with the 300 insurance companies who write policies in Michigan. These bills would cause incredible difficulty for these businesses, potentially forcing them to go out of business, thereby reducing access for the patient and increasing the burden for remaining providers.
- The fees paid to trauma hospitals, which serve a large number of people injured in car accidents, allow all of the residents in Michigan to have a high quality trauma system. Trauma hospitals improve all patients' survival chances, improve the chance of life with less disability, and know when care is futile with the appropriate education and supports for families of the victims.
- We suspect that this legislation will not reduce the liability expense covered by our car insurance. The reason being is that ninety percent (90%) of car insurance is now coordinated with health insurance. Through this coordinated coverage, policies require health insurance to pay first. Under a managed care system, auto insurance plans will be obligated to pay first.

Chairman Hune, in closing, I have been pleased to participate in the work groups you have had on this bill. However, for the reasons I have just outlined, we believe the threats to our successful Auto No-Fault system are too great. Therefore, we cannot support a permanent reduction in benefits for a promise of rate reduction, and ask the committee to vote no on these bills.

I would be happy to answer any questions you may have.

Table 1C

## Average Premiums and Expenditures 1998-2002

STATE	Liability Average Premium				
	2002	2001	2000	1999	1998
Alabama	335.29	321.98	319.76	316.70	334.56
Alaska	533.74	489.55	457.14	450.19	468.61
Arizona	484.83	457.96	449.82	463.94	495.60
Arkansas	360.18	335.18	330.16	331.74	329.08
California	452.70	414.65	397.28	404.33	446.90
Colorado	554.55	466.02	435.04	434.87	456.31
Connecticut	599.59	569.32	549.27	549.64	585.84
Delaware	605.05	564.23	566.03	583.90	579.51
District of Columbia	558.37	543.86	548.08	556.63	569.37
Florida	559.74	482.16	456.95	454.28	483.86
Georgia	372.02	355.86	339.34	343.62	348.23
Hawaii	496.26	490.84	503.99	512.83	585.01
Idaho	320.09	293.31	285.69	282.35	288.19
Illinois	381.62	357.64	348.30	352.76	365.96
Indiana	356.70	338.67	321.22	332.26	343.70
Iowa	283.46	267.31	253.76	254.41	256.52
Kansas	281.99	266.62	261.97	269.02	271.06
Kentucky	434.78	406.59	389.95	391.76	401.16
Louisiana	544.24	482.39	467.29	479.68	520.94
Maine	323.09	300.73	293.38	299.48	291.64
Maryland	488.90	457.05	450.11	457.47	469.65
Massachusetts	623.73	588.45	596.58	553.98	541.25
Michigan	375.16	293.92	280.57	285.15	312.06
Minnesota	454.80	421.70	409.10	418.75	427.27
Mississippi	363.90	337.45	332.76	333.60	337.66
Missouri	360.32	339.33	331.36	334.39	347.76
Montana	344.34	307.18	290.24	282.56	284.87
Nebraska	304.36	284.71	275.82	277.84	280.03
Nevada	563.59	540.99	531.63	541.93	569.48
New Hampshire	392.44	368.93	373.20	368.85	359.48
New Jersey	659.18	599.80	586.74	629.91	730.47
New Mexico	414.49	392.95	398.07	405.85	423.31
New York	741.16	681.48	615.76	616.16	640.08
North Carolina	320.08	315.75	317.60	327.86	337.00
North Dakota	243.32	234.47	231.54	234.89	230.76
Ohio	371.52	356.73	340.57	341.59	349.87
Oklahoma	359.72	338.85	340.62	329.74	334.65
Oregon	430.89	396.38	381.87	382.08	390.30
Pennsylvania	471.07	434.41	421.01	420.14	446.34
Rhode Island	609.63	568.85	539.05	555.94	583.39
South Carolina	409.52	371.65	352.88	345.43	397.97
South Dakota	279.97	263.99	251.23	259.47	266.52
Tennessee	338.82	321.39	313.02	311.87	319.54
Texas	446.40	418.86	388.79	413.73	467.56
Utah	408.85	365.91	352.11	355.00	367.70
Vermont	338.82	311.41	294.55	293.47	290.18
Virginia	361.34	357.51	341.19	341.37	348.52
Washington	491.98	462.21	445.96	445.63	460.36
West Virginia	463.43	418.40	405.63	419.15	451.58
Wisconsin	317.74	304.10	297.08	303.32	314.84
Wyoming	292.74	261.61	246.96	248.79	252.94
<b>Countrywide</b>	<b>449.18</b>	<b>414.22</b>	<b>397.76</b>	<b>402.38</b>	<b>425.60</b>

**FOR IMMEDIATE RELEASE**

December 2, 2004

Contact: Gary Mitchell (517) 323-9473

**NATIONAL STUDY HAILS MICHIGAN'S NO-FAULT SYSTEM**

(LANSING)--- The Michigan Association of Insurance Agents today released a new study by the Insurance Research Council that finds insurance rates and claim losses lower in Michigan than in other no-fault auto insurance states. Between the years 1997 to 2002, the average amounts of personal injury protection (PIP) claimants as a result of accidents increased just 2 percent in Michigan, compared to 122 percent in Colorado, 60 percent in New York and 37 percent in Florida (see attachment).

The study also revealed a large discrepancy in medical treatment received by injured motorists in each state. More than 33 percent of the PIP claimants in Colorado, Florida and New York went to a chiropractor compared to only 13 percent in Michigan. Twenty-two percent of New York PIP claimants went to alternative medical and therapy professionals, while only 1 percent of those did so in the state of Michigan.

Not only did the number of medical claims vary in no-fault states, it was also the cost to consumers that varied drastically. Again, Michigan's No-Fault Insurance System proved to be a national leader in that category as well. The average per-visit for chiropractor in Florida was \$254, compared to \$125 in Michigan. The average total charged per claim by chiropractors was more than three times higher in Florida (\$4,837) and Colorado (\$4,804) than in Michigan (\$1,522). In 2002 (the most recent figures available), from the Insurance Information Institute, the average auto insurance expenditure in Michigan (\$839) was 13 percent lower than New York (\$1,087), 8 percent lower than Colorado (\$914), and 4 percent lower than Florida (\$870).

-- Continued --

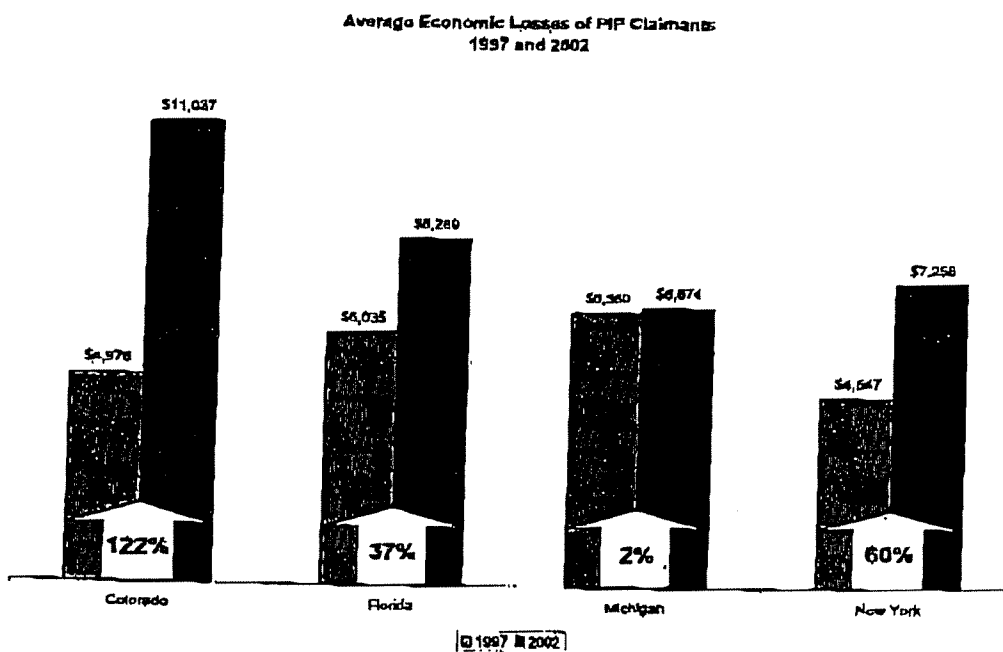


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"This study proves that Michigan has the best No-Fault Insurance System in the nation," said Gary Mitchell, spokesman for the Michigan Association of Insurance Agents. "It's what our members have been telling consumers, legislators and reporters for a long time." Mitchell also said that Michigan is the only state in the nation to offer unlimited medical and rehabilitation services, yet maintains insurance rates close to the national average.

The Michigan Association of Insurance Agents is a statewide trade group that represents approximately 10,000 Independent Insurance Agents and industry employees.



Excludes permanent total disabilities, fatalities, and claimants with zero or missing economic loss.

**\* Note to editors:** The Insurance Research Council is an independent, non-profit organization. This organization does not lobby or advocate legislative positions. For more detailed information on this study's methodology and findings, please contact Elizabeth Sprinkel at (610) 644-2212, Ext. 7568, or e-mail at [irc@cpcuiia.org](mailto:irc@cpcuiia.org).

**NEWS RELEASE • Insurance Research Council****Date:** November 30, 2004**Contact:** Karen Burger, CPCU, CPIW  
Phone: (610) 644-2100, ext. 7805  
E-mail: [burgerk@cpcuia.org](mailto:burgerk@cpcuia.org)**IRC Study Finds Medical Costs Driving Up Auto Injury Claims in Three of Four No-Fault States Studied**

MALVERN, Pa.— A new study by the Insurance Research Council (IRC) finds that claimed losses for auto injuries have escalated at vastly different rates across four states with no-fault auto insurance regulations. From 1997 to 2002, the average amounts that personal injury protection claimants reported for expenses stemming from their injuries increased 122 percent in Colorado, 60 percent in New York, 37 percent in Florida, and just 2 percent in Michigan. The study finds escalating medical costs are the key factor behind the growth in losses in Colorado, New York, and Florida. Skyrocketing claim costs contributed to the 2003 Colorado decision to end the state's no-fault auto insurance system.

The recently released IRC study, *Analysis of Auto Injury Insurance Claims in Four No-Fault States*, examines detailed information from auto injury claims that closed with payment in Colorado, Florida, Michigan, and New York. The IRC report focuses on auto injury claiming behavior by exploring claim patterns under two of the principal private passenger auto insurance coverages in no-fault states: (1) personal injury protection (PIP), which pays benefits to persons injured in auto accidents without regard to fault, and (2) bodily injury liability (BI), which pays for an insured driver's legal liability for injury caused to someone else.

The IRC study reveals different levels of use of certain medical professionals and diagnostic procedures by state, as well as vastly different charges for those professionals and diagnostics. The analysis identified the following PIP claim patterns and differences among the four states:

- The type of medical treatment received by claimants varied by state.
  - More than 33 percent of the PIP claimants in Colorado, Florida, and New York went to a chiropractor compared to 13 percent in Michigan.

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- Colorado and New York claimants were at least twice as likely to see physical therapists as claimants in Florida or Michigan.
- Twenty-two percent of New York PIP claimants went to alternative professionals such as acupuncturists or massage therapists, compared to 18 percent in Colorado, 7 percent in Florida, and 1 percent in Michigan.
- Average charges for certain medical professionals varied drastically among PIP claimants by state.
  - The average per-visit charges for chiropractors were significantly higher in Florida (\$254) and Colorado (\$223), compared to Michigan (\$125) and New York (\$83).
  - The average total charged per claimant by chiropractors was more than three times as high in Colorado (\$4,804) and Florida (\$4,837) than in Michigan (\$1,522) and New York (\$1,549).

In summarizing the findings, Elizabeth A. Sprinkel, senior vice president of the IRC said, "PIP claimants appear to be using more medical resources in some no-fault states than in others, even among claimants with similar injuries. On top of that, the average charges for certain medical treatments in some no-fault states are sometimes more than double the cost for similar treatment in other no-fault states. As a result, claimed auto injury losses have risen much faster in some states than others, ultimately leading to greater increases in auto insurance premiums for drivers in those states."

In no-fault states, injury thresholds must be surpassed before an injured claimant can file a bodily injury liability claim against an at-fault driver. Injury thresholds varied among these four states from a monetary threshold of at least \$2,500 of medical expenses in Colorado to a strict verbal threshold in Michigan that restricts BI claims to injuries that lead to permanent serious disfigurement, serious impairment of a bodily function, or death.

One of the goals of no-fault auto insurance systems is to alleviate pressure on the court system by reducing tort liability claims for minor injuries. Reflecting the restrictive tort threshold in Michigan, BI claimants there had more serious injuries than claimants from the other three states. In addition to the closed claim data revealing injury levels among BI claimants, claim frequency data show fewer Michigan BI claims per number of insured drivers than the other three no-fault states in this study.

"Michigan is an example of a no-fault state where the majority of BI claims are for severe injuries with disabling consequences," Sprinkel explained. "Despite the tort thresholds in the other three no-fault



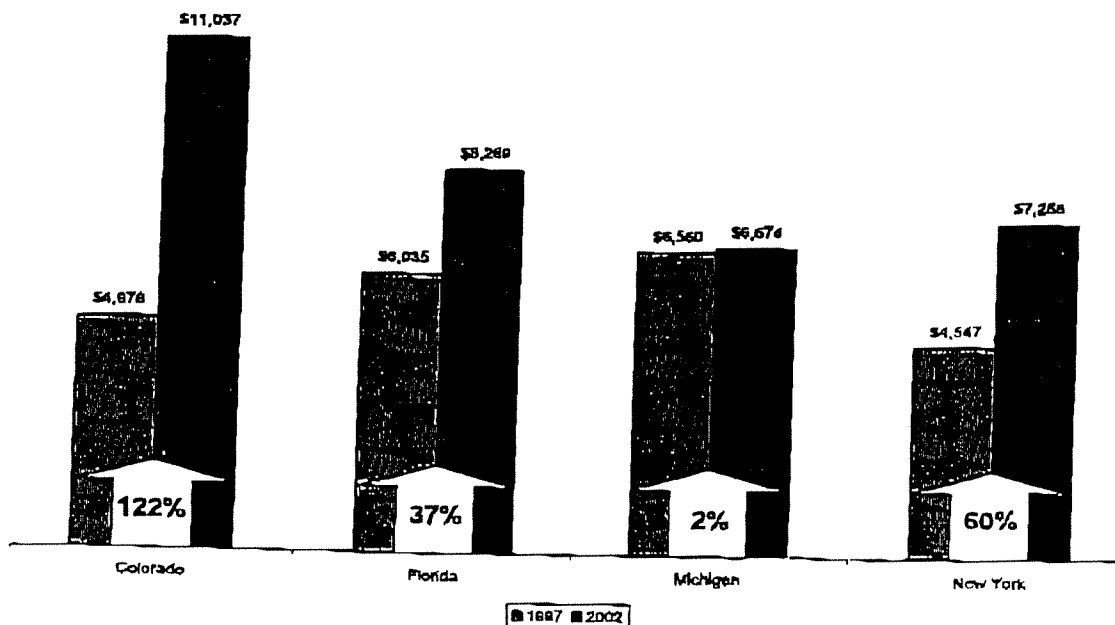
states that were examined, liability payments often were paid to claimants with relatively minor injuries."

For more detailed information on the study's methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at [irc@cpcuiia.org](mailto:irc@cpcuiia.org). Or visit IRC's Web site at [www.ircweb.org](http://www.ircweb.org). Copies of the study are available at \$100 each in the U.S. (\$115 elsewhere) postpaid from the Insurance Research Council, 718 Providence Rd., Malvern, Pa. 19355-0725. Phone: (610) 644-2212, ext. 7569. Fax: (610) 640-5388.

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**NOTE TO EDITORS:** The Insurance Research Council is a division of the American Institute for CPCU and the Insurance Institute of America. The Institutes are independent, not-for-profit organizations dedicated to providing educational programs, professional certification, and research for the property-casualty insurance business. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty organizations.

Average Economic Losses of PIP Claimants  
1987 and 2002



Excludes permanent total disabilities, fatalities, and claimants with zero or missing economic loss.